

LINDA LINGLE
GOVERNOR



STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
465 S. KING STREET, #103
HONOLULU, HAWAII 96813

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COMMISSIONER

September 23, 2004

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 - 12th Street, S.W., Room TW-A306
Washington, D.C. 20554

Irene M. Flannery
Vice President, High Cost & Low Income Division
Universal Service Administrative Company
2000 L Street, N.W., Suite 200
Washington, D.C. 20036

Re: Certification of Rate Comparability for Non-Rural Carriers Serving in Rural Areas
Pursuant to 47 Code of Federal Regulations § 54.316, CC Docket No. 96-54

Dear Ms. Dortch and Ms. Flannery:

We understand that 47 Code of Federal Regulations ("CFR") § 54.316(a) requires each state to certify that residential telephone rates in rural areas of the state that are served by non-rural incumbent local exchange carriers are reasonably comparable to urban rates nationwide, for purposes of section 254(b)(3) of the Telecommunications Act of 1996.

For purposes of this certification, the safe harbor provision of 47 CFR § 54.316(b) allows a state to presume that the residential rates in rural areas served by non-rural incumbent local exchange carriers are reasonably comparable to urban rates nationwide if the rural rates are below the nationwide urban rate benchmark. For the upcoming certification period, the nationwide urban rate benchmark is \$34.16.¹ Currently, the residential rates in all areas (urban and rural) of the State of Hawaii ("State") that are served by Verizon Hawaii Inc., the State's only incumbent local

¹Reference Book of Rates, Price Indices, and Expenditures of Telephone Service, Industry Analysis & Technology Division, Wireline Competition Bureau, Federal Communications Commission, 2004 ("Reference Book").

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exchange carrier, are below the nationwide benchmark, as shown on the enclosed Exhibit A. For comparison purposes, these residential rates, which are set by island, include access charges and other mandatory monthly rates as published in the *Reference Book*, in compliance with 47 CFR § 54.316(b).

Accordingly, in reliance of the safe harbor provision of 47 CFR § 54.316(b), the Hawaii Public Utilities Commission hereby certifies that the residential telephone rates in rural areas of the State that are served by Verizon Hawaii Inc. are reasonably comparable to urban rates nationwide, for purposes of section 254(b)(3) of the Telecommunications Act of 1996.

If this letter does not fully satisfy the requirements for rate comparability certification, we hereby request an extension of the October 1, 2004 deadline to correct any deficiencies.

Please contact Brooke K. Kane, Administrative Director, at (808) 586-2020 to address any questions concerning this matter.

Sincerely,



Carlito P. Caiiboso
Chairman

CPC:LYK:eh

Enclosure

c: Division of Consumer Advocacy

State of Hawaii
Public Utilities Commission
Certification of Rate Comparability
For Non-Rural Carriers Serving in Rural Areas
October 1, 2004

Residential Telephone Rates

	Oahu	Hawaii	Maui	Kauai	Molokai	Lanai
Local Exchange Rate	\$ 14.40	\$ 13.10	\$ 12.50	\$ 12.50	\$ 10.85	\$ 9.90
Touch Call	1.65	1.65	1.65	1.65	1.65	1.65
Intrastate Surcharge (11.23%)	1.80	1.66	1.59	1.59	1.40	1.30
PUC Service Fee (.25%)	0.04	0.04	0.04	0.04	0.03	0.03
Subtotal	<u>\$ 17.89</u>	<u>\$ 16.44</u>	<u>\$ 15.77</u>	<u>\$ 15.77</u>	<u>\$ 13.94</u>	<u>\$ 12.88</u>
Federal Subscriber Line Charge	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50
Telecommunications Relay Service Surcharge	0.14	0.14	0.14	0.14	0.14	0.14
E911 Surcharge	0.27	0.27	0.27	0.27	0.27	0.27
Federal Universal Service Fund Charge	0.53	0.58	0.58	0.58	0.58	0.58
Subtotal	<u>\$ 25.38</u>	<u>\$ 23.93</u>	<u>\$ 23.26</u>	<u>\$ 23.26</u>	<u>\$ 21.43</u>	<u>\$ 20.37</u>
Federal Excise Tax (3%)	0.76	0.72	0.70	0.70	0.64	0.61
Total¹	<u>\$ 26.14</u>	<u>\$ 24.65</u>	<u>\$ 23.96</u>	<u>\$ 23.96</u>	<u>\$ 22.07</u>	<u>\$ 20.98</u>
Nationwide Urban Rate Benchmark²	\$34.16	\$34.16	\$34.16	\$34.16	\$34.16	\$34.16
Difference	\$ (8.02)	\$ (9.51)	\$ (10.20)	\$ (10.20)	\$ (12.09)	\$ (13.18)

1. Source: Verizon Hawaii Inc. Rates are as of July 1, 2004.

2. Source: FCC *Reference Book of Rates, Price Indices, and Expenditures of Telephone Service*, 2004